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Mr. Chairman and Representative Clayton, it is a pleasure to see both of you again. I appreciate the opportunity to join you today to discuss the reauthorization of the Food Stamp Program – to build on its history of success to meet the demands of this new century.

Nearly four years ago, then-Governor George Bush appointed me Commissioner of the Texas Department of Human Services, one of the Nation's largest human services agencies. With an organization of more than 15,000 employees and an annual budget of \$3.5 billion, I was responsible for administering State and Federal programs that served more than 2 million needy, aged, or disabled Texans each month. I took that position after more than twenty years of experience in managing human services agencies across the country.

When President Bush and Secretary Veneman asked me to join the team at the Department of Agriculture, I was extremely pleased to have the opportunity to put my experience at the State and local levels to work in managing and improving the Federal nutrition assistance programs. I particularly looked forward to representing the Administration in the process of reauthorizing the Food Stamp Program – the foundation

of the Nation's nutrition safety net – as part of the Farm Bill. I believe that my knowledge and experience prepare me well for this challenge. I look forward to working with this subcommittee as we develop a reauthorization approach that both preserves those aspects of the program that have served this country so well over the past decades, and makes the changes needed for the program to function even more effectively and efficiently into the future.

I would like to begin today with a brief review of the Food Stamp Program's current status, and then describe some of the changes in the program's performance and operational context that resulted from welfare reform, before outlining my thoughts about aspects of the program that could be improved during reauthorization.

### **A History of Success**

In my view, the Food Stamp Program stands as a testament to our country's compassion. For over 30 years, it has served as the first line of the nation's defense against hunger, a powerful tool to improve nutrition among low-income people. Any discussion of food stamp reauthorization must start with recognition of the strong evidence that the Food Stamp Program works to reduce hunger and improve nutrition in America.

***It touches the lives of millions of people who need a helping hand to put food on the table.*** Unlike most other assistance programs, the Food Stamp Program is available to nearly anyone with little income and few resources, serving low-income families and

individuals wherever they live with food-based benefits that increase a household's food expenditures, and its access to nutritious food.

Because food stamps are not targeted or restricted by age, disability status, or family structure, recipients are a diverse group, representing a broad cross-section of the nation's poor. In 1999, over half of all food stamp recipients (51 percent) were children, 9 percent were elderly, and another 9 percent were disabled. Many recipients worked, and the majority of food stamp households were not on Temporary Assistance for Needy Families (TANF). However, most food stamp households had little income and few resources available to them. Only 11 percent were above the poverty line, while 35 percent had incomes at or below half the poverty line. About two-thirds of all households had no countable assets. The program is clearly successful at targeting benefits to the neediest Americans.

*The Program responds to economic changes*, expanding to meet increased need when the economy is in recession and contracting when the economy is growing, making sure that food gets to people who need it. Because benefits automatically flow into communities, States, or regions of the country that face rising unemployment or poverty, the program tends to soften some of the harsher effects of an economic downturn.

However, over the last decade, food stamp participation rose more sharply than expected during the relatively short and mild recession in the early 1990s and then fell more sharply than expected after 1994 during the sustained period of economic growth. In

March 2001, the program served 17.3 million people, down from 28 million at its peak in March 1994. In recent months, the participation decline has slowed, and may have ended; over half of all States are now serving more people than they did a year ago. It is important to note that as participation has declined, program costs have also dropped considerably; annual costs have declined by over \$7 billion since fiscal year 1995.

***The program delivers billions of dollars in benefits with a high degree of integrity and accountability.*** The vast majority of program benefits go only to households that need them. In 2000, about 6.5 percent of program benefits were issued in excess of the correct amount; an additional 2.4 percent should have been issued to recipients but were not. The combined overall payment error rate of 8.9 percent represents the lowest rate of overall error in the program's history. We are doing well, but further improvement can be made.

In 2000, 98 percent of households that received food stamps were entitled to some benefit. Problems tend to occur far more frequently in cases where an eligible household is provided with the wrong amount of benefits. Difficulties in determining the correct level of benefits stem from a number of factors: the intricacy of program rules designed to target benefits precisely, the complex circumstances of working families, and the need to anticipate the circumstances of program participants.

When errors resulting in overpayments do occur, the Department works hard to recoup these funds from those who receive them. In partnership with the States, there are a

variety of tools that support this effort, such as recoupment from active benefits, voluntary repayments, referrals to collection agencies and offsets of State and Federal payments. In fiscal year 2000, \$223.8 million was collected through these mechanisms. By far, the most successful tool is offset of Federal payments, currently accomplished in partnership with the Department of Treasury through the Treasury Offset Program. The Food and Nutrition Service has been a leader among Federal agencies in this effort.

The period since the program was last reauthorized has seen a revolution in the way that Food Stamp benefits are delivered. In 1996, Congress set a deadline to have all food stamp benefits delivered through Electronic Benefits Transfer, or EBT, by October 1, 2002. At that time, only about 15 percent of benefits were delivered electronically. Today, 80 percent of all benefits are delivered through EBT. Forty-three State agencies now operate EBT systems for the Food Stamp Program and forty-one are statewide. The Department is aggressively working with staff from the remaining State agencies to accomplish the goal of converting to electronic delivery.

I am pleased to inform Congress that interoperability—the ability to redeem EBT-based benefits across State lines—is a reality today among all but a few States. The remaining few States are either using smart card systems that are incompatible with on-line technology or are working to overcome the technical and contractual issues that must be in place before interoperability can occur. These issues are well understood by the States and the EBT industry. The Department strongly supports the efforts underway to address them.

One of the benefits of the move to electronic benefit delivery is that it provides new tools in the fight against food stamp trafficking; electronic transaction data are systematically analyzed and used to identify violations, and we continue to refine our use of the data. While the extent of trafficking food stamps for cash is estimated to be less than 4 cents of every dollar issued, we must continue to be vigilant and to improve our ability not just to redress trafficking and other kinds of fraud, but to ensure that only eligible stores participate in the program.

USDA focuses significant effort in this area. New stores are subject to an on-site visit to assure that the store meets the eligibility criteria for authorization. Owners and managers are provided orientation and training on the use of food stamp benefits for eligible foods. And, stores are subject to periodic revisits to assure that they continue to meet eligibility criteria. The Department measures its success in this area by annually visiting a random sample of participating stores and establishing a statistically-valid Store Eligibility and Accuracy Rate (SEAR). The most recent SEAR results, for fiscal year 2000, show our success: 98.5% of all participating stores were, in fact, eligible to participate.

Ensuring effective stewardship of the taxpayer investment in this program is one of the Department's most important responsibilities. I know you will hear from the Inspector General later in this hearing; I look forward to working closely with him in the coming months to develop proactive strategies to ensure that the Department prevents fraud and abuse before it occurs.

## **The Changing Environment Since Welfare Reform**

As I have mentioned, much has changed since Congress last reauthorized the Food Stamp Program. Increasing food security, ending hunger, and improving nutrition among low-income families and individuals remain central to the program's mission. Yet the challenges facing the program today – and the pace of change in the world in which it operates – are substantial.

**Welfare reform transformed social policy for low-income families**, replacing an entitlement to cash assistance with a system that requires work in exchange for time-limited assistance. The 1996 welfare reform law (i.e. the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) has been a great success in moving people from dependency to self-sufficiency. Between January 1996 and June 2000, the welfare caseload fell by over 50 percent – the largest welfare caseload decline in history and the lowest percentage of the population on welfare since 1965. And significant numbers of those have left welfare for work.

In important ways, States have been the leaders of this revolutionary effort and are responsible for its success. State governments made use of the flexibility provided in the 1996 law to develop innovative efforts to restructure their welfare programs to require work, time-limit assistance, improve child support enforcement, or encourage parental responsibility.

The Food Stamp Program has also contributed to the success of welfare reform by supporting the transition from welfare to work. The reasons are easy to understand—if you are worried about your family’s next meal, it is hard to focus on your future. For many households, food stamps can mean the difference between living in poverty and moving beyond it. And for many, it has. Welfare rolls, and the proportion of food stamp households on welfare, have fallen sharply, while the percentage of food stamp households with earnings has grown. Today, there are as many working families as there are welfare families on food stamps – roughly a quarter of all participating households. Now, more than ever, the Food Stamp Program plays a critical role in easing the transition from welfare to work.

**Food stamp participation has fallen dramatically.** As I mentioned earlier, the Food Stamp Program served 17.3 million people as of March 2001, nearly 11 million fewer than at its peak in March 1994. Part of the decline is explained by a strong economy, the success of welfare reform in moving people into jobs, and restrictions on legal immigrants and unemployed adults. But other factors may also be at work. The percentage of people eligible for food stamps who actually participated fell 11 points between 1994 and 1998. In 1998, about 59 percent of those eligible for benefits received them, roughly the same level seen in the late 1980’s. Working poor families and elderly people continue to participate at rates well below the national average.



**Concerns have grown that the program's administrative burden and complexity are hampering its performance in the post-welfare reform environment.** There is growing recognition that the complexity of program requirements – often the result of desires to target benefits more precisely – may cause error and deter participation among people eligible for benefits. For example, households are required to provide detailed documentation of expenses for shelter, dependent care, medical expenses, and child support. Similarly, the law requires that most unemployed adults without children should only receive food stamps for a limited time and most legal immigrants should not receive food stamps at all. However meritorious the intent of this policy, provisions of this kind require applicants to provide additional information, introduce new rules for caseworkers to follow, and impose costly and potentially error-prone tracking requirements on State agencies.

These burdens are particularly significant for the working families that comprise an increasing portion of the Food Stamp caseload. Caseworkers are often expected to anticipate changes in their income and expenses – a difficult and error-prone task, especially for working poor households whose incomes fluctuate – and households are expected to report changes in their circumstances to ensure that each month's benefit reflects their current need. Such burdensome requirements may discourage working families from participating in the program. They also make the job of State agencies, that must serve these working families effectively while delivering benefits accurately, significantly more difficult.

Finally, **there is growing awareness that we need to reform the quality control system to ensure that it more effectively encourages payment accuracy without discouraging States from achieving other important program objectives.** The existing quality control system provides timely and accurate data on State performance in issuing the correct amount of benefits, as well as other valuable program information. Establishing sanctions against any State with a higher than average error rate is a source of serious and continuing friction with States. Sanctioning approximately half of the States each year does not contribute effectively to productive partnerships that can achieve the program's objectives. In addition, there is growing concern that the system discourages states from achieving other desired program outcomes; such as program access. My view is that every person eligible to receive food stamps should have full and easy access, while maintaining integrity in the program. We need to re-examine how the Food Stamp Program recognizes and supports its multiple program goals.

### **Food Stamp Reauthorization: A Framework for the Future**

The Administration considers the Nation's nutrition assistance programs a critical source of food for low-income adults and children. It strongly supports reauthorization of the Food Stamp Program, as well as the other important nutrition programs – The Emergency Food Assistance Program (TEFAP), the Food Distribution Program on Indian Reservations (FDPIR), and the Commodity Supplemental Food Program (CSFP) – that are important components of the Farm Bill.

You have asked me to focus today on the Administration's proposal for reauthorization of the Food Stamp Program. As you know, my tenure in this position has just begun, and we are just starting a process to develop our reauthorization proposals. I am eager to work with Congress as these proposals are developed to make program improvements that will address the challenges, and the changing policy environment, that I have described. Today, I would like to identify and describe some general areas of interest that we expect to explore in developing the Administration's proposal:

- ***Supporting Work:*** Food stamps can serve as a critical support for the transition to work and self-sufficiency. But working families often have circumstances that make complying with the program's procedural requirements more difficult. We need to explore changes to make the program work better for working families, facilitating their access to the benefits they need while minimizing burdens for State agencies.
- ***Simplifying Program Rules:*** There is broad agreement that the program has grown too complicated. The consequences of this complexity for State and local program operators and, more importantly, for the low-income people the program serves, are serious. We must find ways to reduce burdens on applicants and participants, and to reduce administrative complexity for local administrators.
- ***Maintaining the Nutrition Safety Net:*** The national eligibility and benefit rules of the Food Stamp Program form a safety net across all States. As States continue to explore innovative welfare policies, food stamps must be available to provide a

steady base that serves the basic nutrition needs of low-income households wherever they live. We need to preserve the program's national structure. At the same time, we should consider whether program changes, including increased administrative flexibility, could help to ensure that all those at risk of hunger have access to the benefits they need. We also need to improve the program's effectiveness in promoting healthy diets for the people it serves.

- ***Improving Accountability:*** As you know, prudent stewardship of Federal resources is a fundamental responsibility, and is critical to continued public confidence in this important program. We need to remain vigilant in the fight against error, fraud and abuse, and consider improvements that can help to ensure that the taxpayer investment in the program is used as effectively as possible.

The Food Stamp Program's mission – to end hunger and improve nutrition – remains as vital today as at the program's beginnings. I am pleased to join the discussion we begin today to preserve the elements of the program that have contributed to its history of success, and to strengthen and improve it to meet the challenges of a new century.

Mr. Chairman, that concludes my remarks. I would be pleased to answer any questions.